



INVESTOR UPDATE
FOR
QUARTER ENDED 31ST DECEMBER 2006

KEY HIGHLIGHTS

- Net Profit for Q3FY07 was Rs. 137.23 Million - growth of 65.85% y-o-y and 11.14% q-o-q.
- Total Revenues for Q3FY07 were Rs. 1171.07 Million - growth of 45.64% y-o-y and 2.70% q-o-q.
- Offshore revenue growth of 50.53% y-o-y.
- 2 new Star customers added - total of 15 Star customers
- 4 new customers added during the quarter
- 17 customers reach revenue run rate of over \$ 1 Million

FINANCIAL HIGHLIGHTS

REVENUE ANALYSIS

- Consolidated revenues for Q3FY07 grew to Rs. 1171.07 Million, recording a growth of 45.64% y-o-y and a sequential growth of 2.70%.
- In \$ terms, consolidated revenues have grown by 4.02% over the previous quarter and by 42.67% over the corresponding quarter in the previous year. Average exchange rate for the quarter was Rs 45.07/\$.
- Revenues by Customer segments:
 - Star customers have shown an aggregate growth of 41.96% on a y-o-y basis and 8.08% sequentially. Revenues from non-Star customers grew by 64.79% y-o-y.
 - Revenue from Cummins, the leading Star customer, was Rs. 468.37 Million for the quarter, a growth of 17.37% on a y-o-y basis. As compared to the previous quarter, revenue from Cummins declined by 2.24% as some projects were completed. Share of revenue from Cummins declined to 40.00% of the total revenues as compared to 42.02% in the previous quarter and 49.63% in the corresponding quarter of the previous fiscal.
 - During the quarter, the Company upgraded two of its customers to the Star customer category, thus taking the total number of Star customers to 15. . One of the world's leading players in the semiconductor industry and a customer of the Semiconductor Solutions LoB is one of the new Star customers. The other new Star customer is a leading manufacturing company based in Europe.
 - Revenue growth from the 14 non-Cummins Star customers was stronger - growing by 77.60% y-o-y and 20.23% q-o-q. On a like to like basis (considering previous quarter revenues from the new Star customers added during the quarter), growth in non-Cummins Star customers has been 77.60% y-o-y and 11.23% sequentially. Share of revenue from non-Cummins Star customer increased from 35.69% in the previous quarter to 41.78% in Q3FY07.
 - Non-Cummins customers have shown a stronger growth during the quarter. Aggregate revenue from Non-Cummins customers has grown by 73.50% on a y-o-y basis and by 6.28% sequentially.

Revenue Growth	Q-o-Q	Y-o-Y
Total Revenue	2.70%	45.64%
From Star Customers	8.08%	41.96%
Revenue from Cummins	-2.24%	17.37%
Non-Cummins Star	20.23%	77.60%

Non-Cummins Star (like to like basis*)	11.23%	77.60%
Non-Cummins customers	6.28%	73.50%

* Considering previous quarter revenues of new Star customers added during the quarter

➤ Revenues from Organic / Inorganic sources:

- Revenues for the quarter include revenues from SolvCentral.com, Pivolis and CG Smith, which were acquired by the Company. Revenues from SolvCentral.com were consolidated w.e.f. Q4FY06, while the revenues from Pivolis and CG Smith were consolidated w.e.f. Q1FY07. Revenues from these entities are referred to hereunder as inorganic revenues, whereas revenues excluding these entities are referred to as organic revenues.
- Organic revenues grew by 7.07% q-o-q during the quarter, as compared to 8.85% q-o-q growth in the previous quarter. Inorganic revenues on the other hand were lower than that in the previous quarter. As a result, share of revenues from inorganic sources was lower at 9.29% as compared to 12.99% in the previous quarter.
- Of the total sequential growth of 2.70% for the quarter, organic growth constitutes 6.15%. Inorganic revenues, declined by Rs. 39.36 Million or 26.57% over the previous quarter.

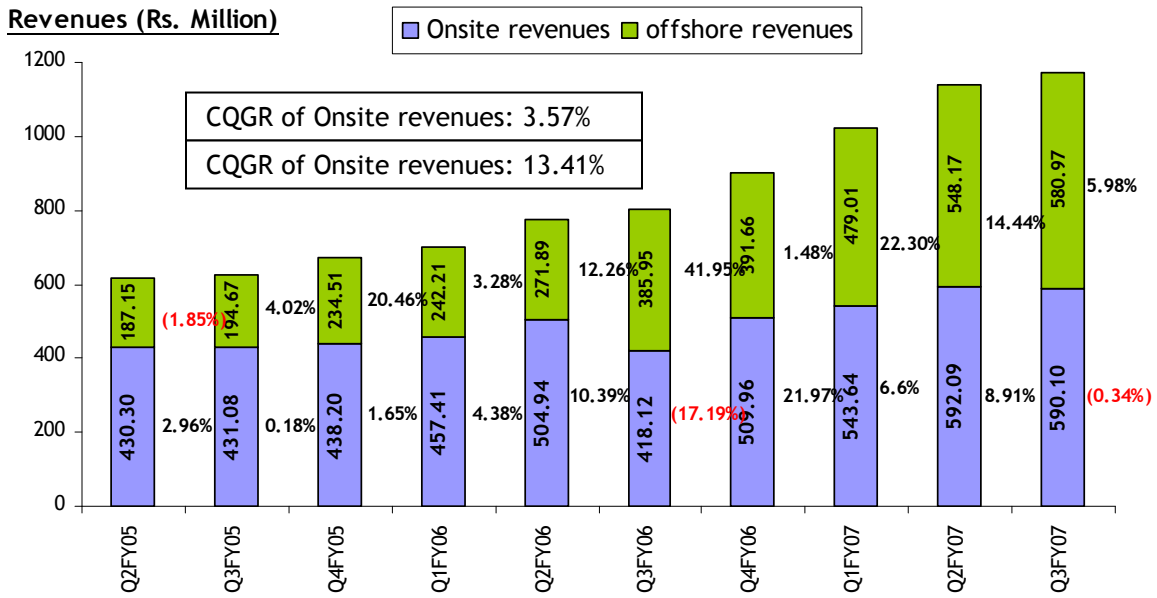
Revenue Components	% of Total Revenue	Q-o-Q Growth	Contribution to Growth
Organic	90.71%	7.07%	6.15%
Inorganic (aggregate)	9.29%	-26.57%	-3.45%
Total Revenue	100.00%	2.70%	2.70%

➤ Revenues from Offshore / Onsite:

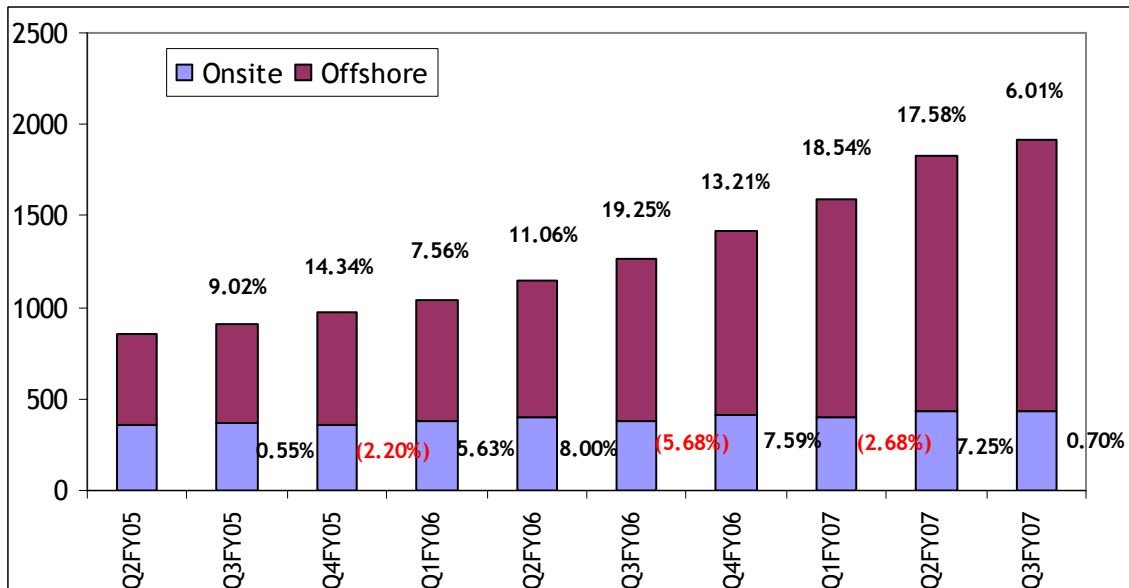
- Share of revenues from offshore services has increased to 49.61% for the quarter from 48.07% in the previous quarter. Offshore revenues grew by 50.53% y-o-y and 5.98% q-o-q while onsite revenues grew by 41.13% y-o-y.

Revenue Components	Q-o-Q	Y-o-Y
Onsite revenue	-0.34%	41.13%
Offshore revenue	5.98%	50.53%
Total Revenue	2.70%	45.64%

- Compounded Quarterly Growth Rate of offshore revenues over the last 10 quarters has been 13.41% as compared to 3.57% for onsite revenues.



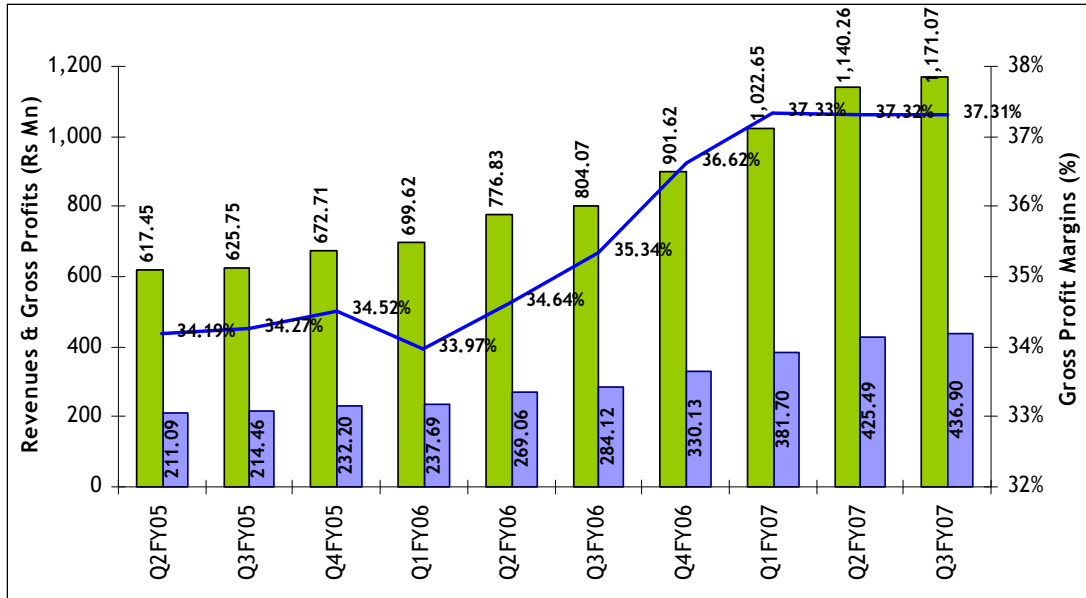
- Volume growth on FTE (Full Time Equivalent) basis has been stronger than revenue growth. Volume growth in offshore FTEs was 67.27% on a y-o-y basis and 6.01% on a q-o-q basis. Volume growth in onsite FTEs has been much lower at 13.09% on a y-o-y basis and 0.70% on q-o-q basis.



- Revenues by Geography:
 - Share of revenues from the different geographies has by and large remained similar to the previous quarter. US, the dominant geography, accounted for 62.25% of the total revenues, while Europe constituted 29.45% and Rest of the World (ROW) accounted for the balance 8.30% of total revenues.
 - On a sequential basis, Europe geography showed the highest growth at 5.45%, followed by 2.45% in US. On a y-o-y basis, however, the growth from US geography was higher at 42.37% as compared to 25.19% from Europe.
- Revenues by Verticals:
 - Manufacturing vertical accounted for 77.50% of the total revenues for the quarter, as compared to 76.34% in the previous quarter and 82.35% in the corresponding quarter of the previous fiscal. Diversified Financial Services (DFS) as a vertical accounted for 10.63% of revenues, compared to 10.77% in the previous quarter and 13.25% in Q3FY06. Others, which include Independent Software Vendors etc, catering primarily to Manufacturing and DFS verticals, accounted for the balance 11.87% of revenues for the quarter. In the previous quarter, revenues share of 'Others' was 12.89%.
 - Manufacturing vertical has shown a growth of 37.06% y-o-y and 4.26% q-o-q. DFS vertical has shown a growth of 16.80% y-o-y and 1.35% q-o-q.

PROFITS AND PROFITABILITY ANALYSIS

- Gross profit for the quarter was Rs. 436.90 Million as compared to Rs. 425.49 Million for the previous quarter.
- Gross profit has grown by 53.77% on a y-o-y basis and 2.68% sequentially.
- Gross profit margin for the quarter was 37.31% at approximately the same level as in the previous quarter. During the quarter, the Company added 310 new employees, many of which are senior employees. In spite of the resultant increase in expenses on account of new employee additions, the gross profit margin has remained stable.
- As compared to the corresponding quarter of the previous fiscal, gross profit margin has improved from 35.34% by 1.97%. The following chart shows the trend in the gross profits and gross profit margins.



- During the quarter, the Company strengthened its selling and marketing team. As a result, Selling and Marketing (S&M) expenses for the quarter increased by 6.00% over the previous quarter to Rs. 129.78 Million, as compared to Rs. 122.44 Million in Q2FY07. As compared to the corresponding period of the previous year, S&M expenses have grown by 58.87%. S&M expenses for the quarter constituted 11.08% of the total revenue.
- General and Administrative (G&A) expenses for the quarter were Rs. 128.64 Million, as compared to Rs. 126.62 Million in Q2FY07 and Rs. 86.14 Million in Q3FY06. G&A expenses have grown by 1.59% q-o-q and 49.34% y-o-y. G&A expenses accounted for 10.98% of revenues.
- SG&A expenses, on an aggregate basis have grown by 3.76% q-o-q and 53.98% y-o-y to Rs. 258.42 Million for the quarter.
- EBITDA for the quarter was Rs. 178.48 Million, a growth of 53.47% y-o-y and 1.16% sequentially.
- Interest and Depreciation expenses for the quarter were Rs. 39.72 Million - a growth of 5.24% q-o-q and 43.93% y-o-y. Depreciation expenses were marginally lower than that in the previous quarter. Interest and depreciation expenses as a percentage of revenues were 3.39% for the quarter as compared to 3.31% in the previous quarter.
- Profit before taxes (PBT) for the quarter was Rs. 139.65 Million, a growth of 57.34% y-o-y.
- Consolidated Net Profit after taxes (PAT) for the quarter was Rs. 137.23 Million, a growth of 65.85% y-o-y and 11.14% sequentially.

- Net profit margin improved from 10.83% in the previous quarter to 11.72% in the current quarter. In the corresponding quarter of the previous year, net profit margin was 10.29%.
- Earning per share (EPS) for the quarter was Rs. 9.21, up from Rs. 5.74 in Q3FY06, an increase of 60.45%. In the preceding quarter, EPS was Rs. 8.30.

BALANCE SHEET DETAILS

- Debtors were 78 days of sales at the end of the quarter, compared to 80 days last quarter.
- Total loans, including working capital facilities, stands at Rs. 1223.90 Million, as compared to Rs. 1213.70 Million as at the end of the previous quarter.
- Cash & bank balance was at Rs. 616.88 Million, as compared from Rs. 561.97 Million as at the end of September 2006.

GUIDANCE FOR FY07

- The Company has reaffirmed its guidance for the year. Financial results for Q3FY07 are in line with the Company's expectation and guidance for FY07.
- FY07 guidance issued by the Company expected Revenues in the range of \$ 98 Million (Rs. 4,361 Million) to \$ 102 Million (Rs. 4,539 Million) and Net profits between \$ 11.25 Million (Rs. 501 Million) and \$ 12.00 Million (Rs. 534 Million).

Business Outlook

- Business outlook for the Company remains strong. The Company is seeing good traction amongst customers in its focused verticals - Manufacturing and DFS.
- The Company has continued with its initiatives to create capacity and capability for the future growth. The new recruitments during this quarter include a significant number of experienced hires for customer dedicated development centers. The sales and marketing structure has also been revamped.
- The Company has started a new center called ' Center for Research in Engineering Science and Technology' or CREST. This center will focus on creating a technology roadmap.
- In the Auto Electronics LOB, traction with auto OEMs is extending beyond Europe to US and Asia Pacific geographies as well. In several instances, the Company has successfully faced competition from global vendors. In the Semiconductor Solutions LOB, the Company is seeing increasing traction in the Asia Pacific geography.
- The BI team is working with a global hi-tech manufacturing giant to consolidate various world wide data centers to bring down the number of data centers under 10% of their current deployment.

- The Company's ERP related services are also seeing increasing reception from its customers. The Company has been chosen by one of the Star customer for implementation of Oracle 11i for one of its division. The Company has been given the responsibility for the entire project management and implementation.

RANKINGS

- KPIT Cummins has been ranked at 38th position in the Deloitte Technology fast 50 companies in India.
- KPIT Cummins has been selected to receive "ICSI National Award for Excellence in Corporate Governance" as one of the Top 25 Companies adopting good Corporate Governance practices.
- KPIT Cummins has been selected in the Deloitte Technology fast 500 Asia Pacific 2006.

OPERATION HIGHLIGHTS

Customers:

- During the quarter, the Company added 2 new Star customers, taking the total number of Star customers to 15.
- During the quarter, the Company added 4 new customers - 2 US based customers and 1 European customer for Auto Electronics LoB and 1 European company for Manufacturing LOB.
- With the new customer additions, the total number of active customers is 86. Customer base of the Company includes some of the marquee names in the manufacturing and financial services verticals, including seven of the top automotive OEMs in the world and 6 of world's top 20 semiconductor companies.
- 17 customers have reached a revenue run rate of over \$ 1 Million.
- Revenues from top 10 customers declined to 75.75% of total revenues as compared to 76.29% in the previous quarter. In Q3FY06, the top 10 customers constituted 86.91%. With a broader base of customers, concentration of revenues from top 10 has been declining.
- Repeat business from customers continues to be high at around 90% of total revenues.
- Q3FY07 saw one of the leading UK based financial services company, a DFS customer increasing the engagement with the Company.
- The Company won a large engagement in powertrain electronics from a Detroit based Big 3 auto OEM in the face of extremely stiff competition and a very strict evaluation process.

- Semiconductor Solutions Group has started a new engagement with one of the UK based specialty embedded solution provider, for setting up hardware lab.
- Customer relationships are stronger than ever before. The Company has ranked highest in the global vendor list of one of its key Star customers. This is significant development in the Company's customer relationship initiatives as it has overcome competition from other global vendors. At another customer, also one of the Star customers, the Company has gained appreciation of its capabilities in the overall embedded software space. The Company has also emerged as the Number One 3rd party partner for yet another Star customer.

Employees:

- Total employee base at the end of Q3FY07 increased to 3,119 - an increase of 310 over the immediately preceding quarter. During the quarter 258 technical people were added, while the addition to marketing and support staff was 52.
- Almost half of the total number of new recruitment is lateral and experienced hires. The lateral hires in KPIT Cummins during the quarter include people with significant technological expertise and domain knowledge in our key areas.
- Recruitment of freshers during the quarter, together with the number of days lost during the quarter on account of holidays and leaves, affected the utilization levels.

Infrastructure:

- The Company's software development facilities at Hinjawadi (SDC-I, SDC-II), Tejas and Marathalli have been audited and recommended for ISO 27001 certification. ISO 27001 is an international certification on information security which will help KPIT Cummins in establishing trust about its offshore development centre to its customers.

INCOME STATEMENT FOR THE QUARTER ENDED 31st December 2006

Particulars	Q3FY07	Q2FY07	% Chg	Q3FY06	%
	Rs. Mn	Rs Mn.	Q-o-Q	Rs Mn.	Y-o-Y
Sales	1171.07	1140.26	2.70%	804.07	45.64%
Software Development Expenses	734.17	714.77	2.71%	519.95	41.20%
Gross Profit	436.90	425.49	2.68%	284.13	53.77%
Selling and Marketing Expenses	129.78	122.44	6.00%	81.69	58.87%
General & Administration Expenses	128.64	126.62	1.59%	86.14	49.34%
EBITDA	178.48	176.43	1.16%	116.30	53.47%
Interest & Finance Expense, net	9.38	7.34		5.12	
Depreciation	30.34	30.41		22.48	
Profit After Depreciation & Interest	138.76	138.69	0.05%	88.70	56.43%
Other Income	0.89	2.65		0.05	
Profit Before Tax	139.65	141.34	-1.20%	88.75	57.34%
Provision for Taxation	4.40	17.65		6.01	
Minority Interest	1.99	-0.21			
Profit After Tax	137.23	123.48	11.14%	82.75	65.85%
Paid up Capital	74.46	74.36		72.02	
Free Reserves	1,690.55	1,547.04		1,196.31	
Earning per Share (of Rs. 5/-)					
Basic (Rs.)	9.21	8.30		5.74	
Diluted (Rs.)	7.45	6.73		4.65	
Margin Analysis:					
Gross Profit Margin	37.31%	37.32%		35.34%	
EBITDA Margin	15.24%	15.47%		14.46%	
Net Profit Margin	11.72%	10.83%		10.29%	

Note

1. 'q-o-q' or 'sequential' growth refers to growth during the quarter compared to the immediately preceding quarter
2. 'y-o-y' growth refers to the growth during the quarter as compared to the corresponding quarter of the previous year

PERFORMANCE METRICS

	Q3FY07	Q2FY07	Q3FY06
Revenue Spread - Geography			
USA	62.25%	62.40%	63.68%
Europe	29.45%	28.68%	34.26%
Rest of World	8.30%	8.92%	2.06%
Revenue Spread - Verticals			
Manufacturing	77.50%	76.34%	82.35%
DFS	10.63%	10.77%	13.25%
Others	11.87%	12.89%	4.40%
Client Concentration			
Top Client - Cummins	40.00%	42.02%	49.63%
Star Customers - Non Cummins	41.78%	35.69%	34.26%
Top 10 Client Billing	75.75%	76.29%	86.91%
No of Clients Added	4	5	3
Repeat Business	90.00%	90.00%	88.00%
Revenues Split			
Onsite Revenues	50.39%	51.93%	57.96%
Offshore Revenue	49.61%	48.07%	42.04%
Revenue by Contract Type			
Time and Material Basis	91%	90%	86%
Fixed Price / Time Basis	9%	10%	14%
Debtors			
Global Debtors (days)	78	80	75
Human Resources - Details			
<u>Average -</u>			
Development Team - Onsite	485	461	415
Development Team - Offshore	2125	1942	1266
<u>Quarter End</u>			
Development	2787	2529	1764
Gen Mgmt / Support	298	249*	190
Marketing (Subsidiaries)	34	31*	29
Total	3119	2809	1983
Utilisation Rate			
Onsite	89.00%	93.00%	92.00%
Offshore	69.75%	72.00%	70.00%
* Last quarter the number of support and marketing people were erroneously stated at 238 and 42 respectively. The actual number of support and marketing people at the end of Q2FY07 was 249 and 31 respectively.			

SAFE HARBOUR

Some of the statements in this update that are not historical facts are forward-looking statements. These forward-looking statements include our financial and growth projections as well as statements concerning our plans, strategies, intentions and beliefs concerning our business and the markets in which we operate. These statements are based on information currently available to us, and we assume no obligation to update these statements as circumstances change. There are risks and uncertainties that could cause actual events to differ materially from these forward-looking statements. These risks include, but are not limited to, the level of market demand for our services, the highly-competitive market for the types of services that we offer, market conditions that could cause our customers to reduce their spending for our services, our ability to create, acquire and build new businesses and to grow our existing businesses, our ability to attract and retain qualified personnel, currency fluctuations and market conditions in India and elsewhere around the world, and other risks not specifically mentioned herein but those that are common to industry.

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